FOCUS ON INTERNATIONAL FRANCH

Restaurant Business

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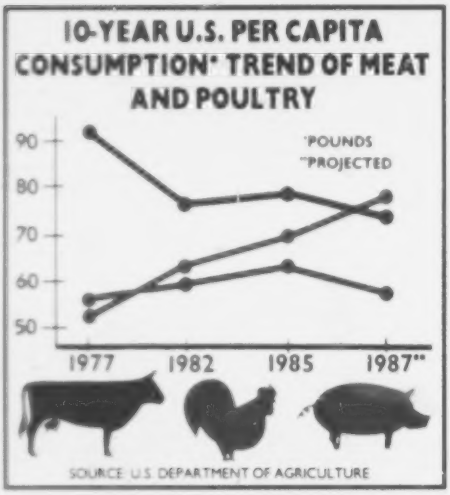
BUSINESS BAROMETER

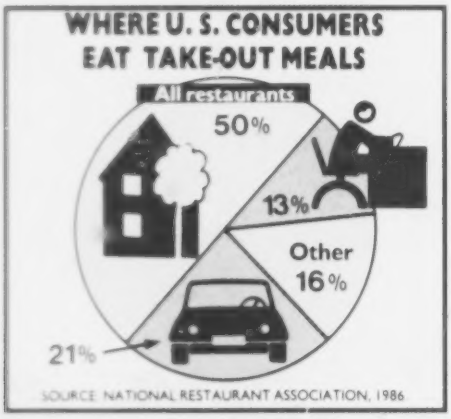
The Hard Facts Shaping Our Industry

By Linda Cecere



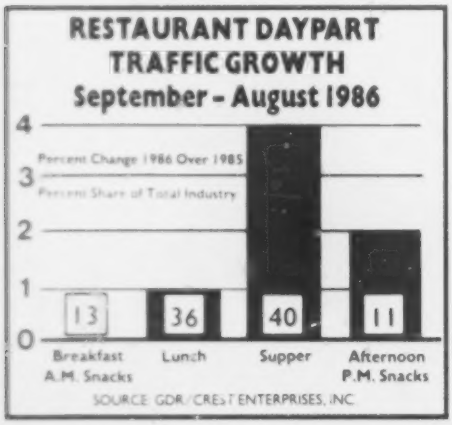
Poultry Beats Beef in '87

For the first time, U.S. per capita poultry consumption is projected to rise to an estimated 78.6 pounds in 1987, surpassing the projected 73.8 pounds of beef consumption. This reverses beef's modest recovery in 1985 to 79.1 pounds following a declining consumption trend that began in the late 1970s. Peak consumption of beef was 91.7 pounds in 1977. By contrast, per capita poultry consumption (mostly chicken) has continued to rise in popularity from 53.2 pounds in 1977 to 70.1 pounds in 1985 to the predicted record level this year. However, pork is forecasted to fall to 56.8 pounds in 1987, reversing a mostly upward consumption trend from 55.8 pounds in 1977 to 62.1 pounds in 1985.



Take-Out Goes Home

Almost 50 percent of take-out meals and snacks are consumed at home. Some 21 percent of all take-out food is consumed in a car; 13 percent at work; and 16 percent in places such as school or in a friend's house. The vast majority of take-out food, 66 percent, is purchased at fast food outlets; 20 percent is purchased at table service restaurants; 14 percent at grocery and convenience stores; and 13 percent in other locations. Most of the take-out orders, 66 percent, were placed at the restaurant counter; 23 percent in a car; and almost 11 percent over the telephone.



Supper Outstrips Breakfast

Breakfast's share of total customer traffic flattened last year at 13 percent, while supper's share increased four percent to 40 percent. Lunch traffic rose a mere one percent to a 36 percent share, and traffic for afternoon meals and snacks rose two percent to an 11 percent share. Fast food outlets gained customers in every daypart while midscale and upscale restaurants lost traffic in each daypart. Quick service restaurants showed an overall increase of 4.3 percent while midscale and upscale restaurants generally lost traffic at the rate of 5.4 percent and 5.7 percent respectively.

CHARTS DESIGNED BY SHARI FANG

Restaurant Business

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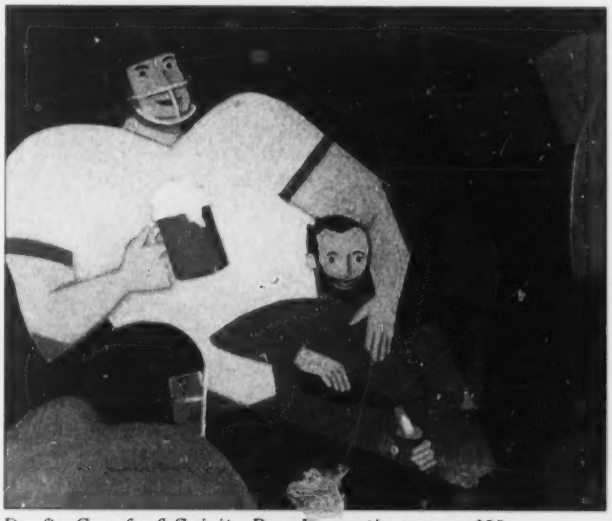

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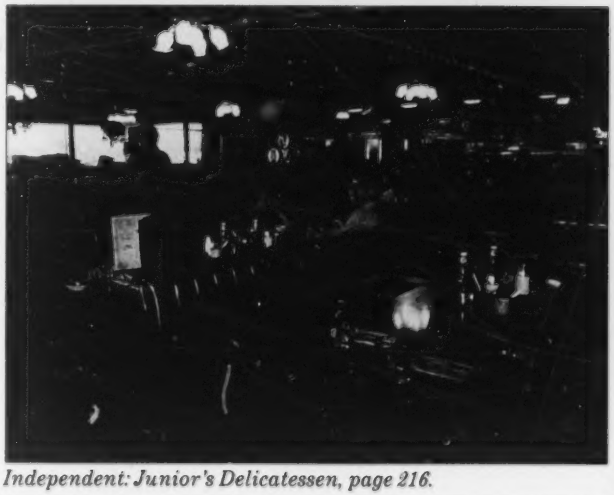

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REGIONAL REPORT

Strong Mid-Atlantic Economy Forecast

BY CHERYL TURI COUTTS

Continued economic growth, especially in the high-tech and service sectors, is projected for the Northeast, with the Middle Atlantic states of New York, New Jersey, and Pennsylvania prime benefactors.

"The Middle Atlantic region has been the force driving the nation from a manufacturing orientation to a service orientation," says Rosemary Scanlon, chief economist for the Port Authority of New York and New Jersey.

"The New York and New Jersey metropolitan areas are seeing a real boom in the financial and business services sector fueled by Wall Street businesses," says Scanlon.

Unemployment rates have dropped to between five and seven percent in the three states, with some suburbs, including Westchester County, New York, and parts of New Jersey reaching all-time lows of 3.4 percent.

SUBURBS LEAD. Also leading the way to economic strength are the suburbs, which in many cases have displayed outstanding development in terms of increases in higher real per capita income, jobs, and new businesses.

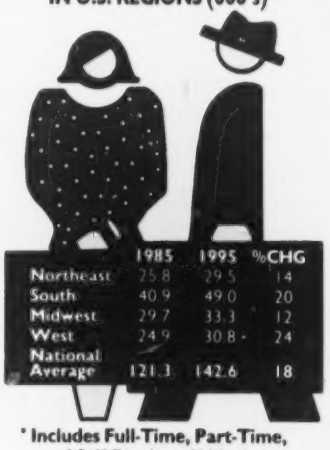
The suburbs in Pennsylvania, for example, have contributed to that state's economic turnaround, says Tom Luce, associate director of the Wharton Economic Monitoring Project at the Wharton School of the University of Pennsylvania. "The suburbs have seen an increase in employment, office building, and personal income."

The restaurant industry has taken advantage of the boom, following the flight of many baby boomers, aged 25 to 44, to the suburbs of Middle Atlantic metros, for affordable housing.

Fred Sampson, president of the New York State Restaurant Association, reports restaurant growth in the suburbs has been stronger in past years.

The National Restaurant Association (NRA) predicts Middle Atlantic area eating place sales will increase from $19.6 billion in 1986 to $20.7 billion in 1987. Despite the NRA's prediction of this small nominal increase in sales of 5.7 percent, Middle Atlantic eating place sales are the fourth highest in the country.

PROJECTED EMPLOYMENT TRENDS IN U.S. REGIONS (000's)*



	1985	1995	%CHG
Northeast	25.8	29.5	14
South	40.9	49.0	20
Midwest	29.7	33.3	12
West	24.9	30.8	24
National Average	121.3	142.6	18

* Includes Full-Time, Part-Time, and Self-Employed Workers.
Source: National Planning Association

VULNERABLE INDUSTRY. In spite of the upbeat economic outlook for the area, the restaurant industry is vulnerable on several fronts. "Some new laws could have a very chilling effect on business," says the New York State Restaurant Association's Sampson.

Sampson expressed concern over the enactment of strong dram shop and liquor liability laws, tougher smoking regulations, and the stringent new federal immigration law which imposes criminal penalties on employers found guilty of hiring illegal aliens.

"There is a real fear among restaurant operators that their bottom line will wind up paying for insurance and that their source of employment may be depleted because of the immigration law," says Sampson.

Market saturation is another critical issue facing the Middle Atlantic-based restaurateur. However, hamburger chains looking to expand should consider the Middle Atlantic states, and the Northeast as a whole, according to the 1985 Restaurant Count by Market study (RE-COUNT report) by Restaurant Consulting Group, Inc.

Of all restaurant concepts, burger stores accounted for only 4.7 percent in the New England states and 4.8 percent in the Middle Atlantic area. That number is well below burger's 8.5 percent average share of national market.

STABLE POPULATION. A problem facing Middle Atlantic businesses is the fact that the size of the region's population has begun to stabilize at a time of rising employment, resulting in a real fight for workers, particularly within labor intensive industries like restaurants. Many employers are offering starting salaries higher than the minimum wage.

Despite the increased numbers of working women and immigrants, particularly from South America, employers still will have a hard time filling jobs, say experts.

According to Nestor E. Terleckyj, an analyst with the National Planning Association of Washington, DC, the total Middle Atlantic area population has remained virtually unchanged since 1975 at just over 37 million. And he projects the number will rise to only 38.7 million by 1995.

MORE JOBS. On the other hand, the number of employed has increased from 15.7 million in 1975 to 18.6 million in 1985. The National Planning Association predicts employment in the Middle Atlantic area will reach 21 million by 1995.

So what is ahead for 1987 and beyond? Rosemary Scanlon of the Port Authority of New York and New Jersey expects to see a rise in consumer spending to accompany steadily rising wages and a strengthening economy. This is in spite of the fact that a substantial number of employees in the manufacturing sector have lost their jobs and have either dropped out of the work force, or have entered lower paying service jobs.

It is up to restaurant operators to respond to the changing demographics of the Middle Atlantic region.

ICE CREAM

Frozen treats are more popular than ever and operators opt for quick expansion through dual concepts.

Dual concepts and international markets are the two major expansion vehicles for the ice cream segment. With premium ice cream, gelato, and frozen yogurt hitting new highs in popularity in 1986, many operators in the ice cream segment are keeping their customers interested by adding more variety to their menus.

Frozen confections have fit in nicely with the ongoing health trend, according to the major ice cream chains. Evidence of the increasing popularity of frozen treats can be seen in sales growth and increased number of units and rising customer counts.

The U.S. Department of Commerce shows that the segment's total number of units has increased 13 percent to 8,781 in 1986 from 7,772 in 1985; projections for 1987 are 10,211. Sales for 1986 are reported to be $1.4 billion, up from 1985's figure of $1.2 billion. The segment is projected to reach $1.6 billion in 1987.

YUPPIE-DRIVEN MARKET. According to George Rice, industry consultant and chairman of GDR Enterprises, Park Ridge, IL, the ice cream industry performed well in 1986, better than previous years. Data from CREST, the Consumer Research on Eating Out Share Trends, a service of NPD Research of Park Ridge, IL, a division of GDR, show that the increasing number of nutritionally fit consumers (those who exercise and eat healthy but do not count calories) and the busy urbanite consumer are largely responsible for the segment's growth.

Those two groups, which now account for about 61 percent of total households, says Rice, will purchase frozen treats because of the convenience of the product and the taste. The group most likely to bring down the segment's customer counts and sales is the restrictive dieters which make up 19 percent of total households.

DAIRY QUEEN. One of the giants of the frozen treat world, the Minneapolis, MN-based International Dairy Queen will be doing some major urban expansion with 175 new units opening this year. International expansion is also a priority with 40 new units opening primarily in Canada and Japan, as well as others in Thailand, Taiwan, and Cyprus.

The chain, which has in excess of 4,900 units, will also be busy this year with a couple of dual concepts. Last year the company started a dual concept test with International Multifoods' Mr. Donut concept.

Today, with six Dairy Queen and Mr. Donut combinations in operation, both companies have found dual concepting a success.

Says John Hyduke, director of new franchise development: "We get a great return on the breakfast part and Mr. Donut benefits during its traditionally slow dayparts."

Average unit sales for Dairy Queen are approximately $422,000 with an average check of $3.65. Cost of a turnkey freestanding unit is approximately $450,000; for a mall unit, $120,000.

Also involved in dual concepts is the Glendale, CA-based Baskin-Robbins Ice Cream Corp. The 3,135-unit chain, which is in 49 states and in several foreign countries, will expand its test selling ice cream in a unit of Dublin, OH-based Wendy's International.

Traditionally a mom-and-pop-operated chain, Baskin-Robbins is concentrating on more multi-unit operators for future development. Franchisees can expect to invest between $90,000 to $120,000 for a franchise operation. Five percent royalty fee and 1.5 percent advertising fee are also standard for the chain.

REFURBISHING. The chain is testing new menu items, strawberry and raspberry yogurt, in 26 of its U.S. locations. Other menu items the company is currently working on are ready-made desserts using its International Creams which include Chocolate Raspberry Truffle, Almond Amaretto, Grand Marnier, Cappuccino chip and Brandied Cherries Flambe.

With more than 800 franchised units, Yonkers, NY-based Carvel Corp. plans to bring its hard and soft-serve products into new territories both do-

ICE CREAM AND YOGURT STORES (50 franchisors)

	Sales ($000)			Units		
	Total	Company-Owned	Franchisee-Owned	Total	Company-Owned	Franchisee-Owned
1985	1,230,115	46,437	1,183,678	7,772	242	7,530
1986*	1,380,439	55,765	1,324,674	8,781	274	8,507
1987*	1,600,732	67,363	1,533,369	10,211	329	9,882

** Estimated by respondents.*

mestically and internationally. A cash investment of $125,000 is typical for a Carvel unit and average annual unit sales range from $325,000 to $350,000.

Swensen's Ice Cream Corp., based in Phoenix, AZ, is building on its existing market presence as well as expanding internationally. The chain, which has 365 units in 38 states, will be opening another 25 this year. Internationally, the chain is already in Canada, Mexico, and Brazil and plans to open 15 more units in these countries this year. According to Richard Pope, senior vice president of development, the chain is testing extended menu items complementary to ice cream.

Franchise operations for Swensen's vary according to the size of the unit. A franchise fee is generally $20,000 to $25,000; however, turnkey operations can range from $200,000 for a dipping store to $420,000 for a full-scale restaurant/ice cream parlor.

JOINT CONCEPTS. The 350-unit Chicago-based Bressler's 33 Flavors plans to enter new markets this year through a dual concept program. The ice cream chain is building sales and customer counts by teaming up with Cheyenne, WY-based Taco John's International. Currently there are three units in operation, however, Bressler's plans to offer existing franchisees the option to add Taco John's to their units as well as sell the two concepts together to new franchisees.

The total cost of an average 500- to 1,000-sq.-ft. unit ranges from $100,000 to $125,000 with a franchise fee of $10,000. However, in an attempt to gain more multi-unit operators, additional units have a franchise fee of $5,000. Other benefits including lower royalty fees are granted to franchisees who operate a minimum of five units.

While the superpremium chains have begun to slow down expansion, frozen yogurt companies are still experiencing positive growth. The Haagen-Dazs Shoppe Co. Inc., based in Englewood Cliffs, NJ, has stopped expanding its dipping store portion of the chain. According to John Thomson, spokesperson for the company, Haagen-Dazs will concentrate on helping existing franchisees and helping to boost flagging sales.

Earlier this year The Pillsbury Co., the ice cream chain's parent company, was looking into restructuring alternatives for 313 franchised Haagen Dazs units. Cash buyouts and name changes have been discussed but neither have been finalized.

Swensen's specialties: banana split, milk shake, and two sundaes.

YOGURT MARKET. TCBY or The Country's Best Yogurt, based in Little Rock, AR, plans to be in all 50 states by year-end with the addition of 400 more units. The chain, which has approximately 475 units in operation, will also be expanding in Canada. A turnkey operation ranges from $90,000 to $155,000 for a typical 1,200-sq.-ft. unit. Annual unit volumes are approximately $200,000.

Next in line in the frozen yogurt world is the 105-unit Everything Yogurt chain, based in Staten Island, NY. The national chain has its highest concentration of stores in the Northeast.

The 11-year-old chain, one of the oldest in the yogurt line, will expand its Everything Yogurt concept into some new markets including Texas, Tennessee, and Ohio. Initial franchise fee is $20,000 and units range from 600 to 800 sq. ft. for a mall unit to 1,500 to 2,000 sq. ft. for a freestanding location.

Zack's Famous Frozen Yogurt, based in Metairie, LA, is gearing its expansion efforts to the Northeast. The 100-unit chain will be opening 125 new units this year as well as begin pursuing international expansion. In addition, menu variety has become a priority with new pies, shakes, and sundaes added to the menu. The chain is also testing sandwiches and soup for a possible 1987 rollout. The smaller, 60-unit, Dallas-based I Can't Believe It's Yogurt is also gearing up for expansion with plans to have 172 units open by year-end.–**C. C.**

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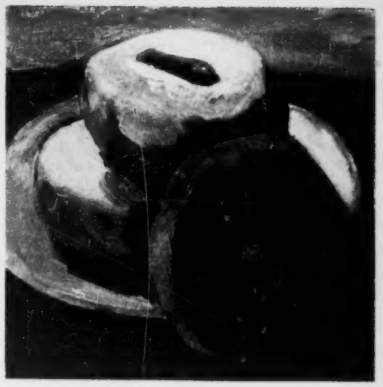
DONUT



Beset by competition from other quarters, operators in this segment are involved in projects designed to increase market share.

Despite only moderate growth in the overall donut segment, there is much activity among the chains within this sector. In an effort to expand what is essentially a limited daypart, three of the major chains—Dunkin' Donuts, Winchell's Donut Houses, and Mister Donut—are experimenting with joint-venture agreements, new products, and different styles of service, in an attempt to win more market share. Winchell's, recently spun off from parent Denny's, Inc., is gearing up for an aggressive new franchising effort following several years of flat growth. Meanwhile, the proliferation of cinnamon bun concepts and other specialty bakeries is placing additional pressure on the donut segment.

It is estimated that by year-end 1987, there will be 2,969 franchised donut shops contributing $997 million to total sales of $1.336 billion, as compared to 2,647 franchised units contributing $845 million to total sales of $1.168 billion in 1986.

CONCENTRATED GROWTH. Dunkin' Donuts, Inc., the largest presence in the segment, is represented by 1,539 units, the bulk of which—1,495—are franchised. Foreign franchisees control 142 of these franchised units. In the fiscal year ended October 1986, systemwide sales reached $648 million, and average annual unit volumes hit $454,400. Over the next year, Dunkin' Donuts has plans to open 90 to 95 new units in North America and 30 to 35 overseas. Most of this growth will be concentrated in areas where the chain already has a market presence.

In a bid to take advantage of the production capabilities of its Dunkin' Donuts units and to increase market share, the Framingham, MA-based company is experimenting with providing donuts to retailers for sale under the Dunkin' Donuts name. According to Richard N. Hart Jr., vice president and treasurer, Dunkin' Donuts is currently involved in a joint venture test to provide product to 30 convenience stores operated by Circle K Corp., Phoenix. Explains Hart:"The typical Dunkin' Donuts shop has the capability to produce more donuts than can be sold in the shop. Therefore, we developed an agreement with Circle K to set up a section in each convenience store which will serve as a Dunkin' Donuts satellite." In effect, the Dunkin' Donuts franchisee would act as a distributor, providing the Circle K stores with donuts baked in the franchisee's Dunkin' Donuts unit. Dunkin' Donuts is testing a similar arrangement with Zayre's, a Massachusetts-based retailing chain.

In the New York metropolitan market, the real estate-rich Riese Organization is co-building its franchised Dunkin' Donuts units with other, noncompetitive franchised concepts. Notes Hart: "This is an unusual situation; Riese is a unique operator. However, if there were other franchisees in other cities who wanted to do something like this, we would not close the door on the possibilities."

Hart pinpoints labor as the biggest challenge facing the industry in general and Dunkin' Donuts in particular. To meet the challenge, Dunkin' Donuts will replace its sit-down service counters with an express service counter similar to the type found in fast food hamburger units. Customers will place their orders at the counter and then bring their food to tables, booths, or remote counters located in the unit. According to Hart, the popularity of this new service method and the subsequent labor relief it provides, has provided the incentive for some franchisees to begin remodeling their stores. The new service mode will be introduced systemwide as stores are refurbished to accommodate it.

At Dunkin' Donuts, the initial franchising fee ranges from $20,000 to $40,000. The royalty rate is 4.9 percent while the advertising contribution rate is four percent.

GEARING FOR EXPANSION. Following years of little or no expansion activity, the La Mirada, CA-based Winchell's chain is poised for aggressive growth resulting from its spinoff from Denny's Inc., also of La Mirada. The expansion program follows the completion earlier this year of a master limited partnership agreement under

DONUT SHOPS (22 franchisors)

	Sales ($000)			Units		
	Total	Company-Owned	Franchisee-Owned	Total	Company-Owned	Franchisee-Owned
1985	1,070,697	306,020	764,677	3,535	1,078	2,457
1986*	1,167,890	322,976	844,914	3,719	1,072	2,647
1987*	1,336,089	339,232	996,857	4,046	1,077	2,969

** Estimated by respondents.*

which Denny's, which went private through a leveraged buyout in 1985, retains 42 percent of Winchell's and manages the donut house chain.

Winchell's, which has done little or no franchising over the last several years, now consists of 711 company-owned units and 33 franchised stores located in 14 states, primarily in the West and Northwest corridor. (Last year, the chain withdrew from the Midwest.) According to Don Pierce, senior vice president of Denny's and president of its fast food group—which includes Winchell's and the charbroiled chicken fast food chain El Pollo Loco—Winchell's will now begin to implement a two-pronged franchise program. As a result, qualified parties will be able to purchase certain company-owned units or develop new Winchell's Donut Houses. "We plan to increase our market share by adding units and expanding aggressively in areas where we already have a strong presence, even in the hard-core Los Angeles area," says Pierce, adding: "We are interested in single-unit owner/operator franchisees who can devote the day-to-day attention these units need."

Winchells' intends to pinpoint company-owned units in locations the company finds difficult to support, and turn those areas into predominantly franchised markets. Becoming a Winchell's franchisee requires a $30,000 upfront fee, five percent annual royalty, and a three percent advertising co-op contribution.

Winchell's is also testing an arrangement with Circle K stores and Mini-Mart convenience stores (headquartered in Cherokee, OK) to provide donuts. This may eventually lead to some type of formal joint venture.

Mister Donut, a subsidiary of International Multifoods Corp., Minneapolis, is also testing a joint-concept venture with Dairy Queen International which is also owned by International Multifoods. Currently, there are seven units of a combination donut house and ice cream shop. The strategy behind the dual concept is to expand Mister Donut's traditional daypart. "Donuts are primarily a breakfast and snack item," explains company spokesperson Linda Berge. " Ice cream is an afternoon/evening item. Now, we have people who come in to buy an ice cream cone and leave with a box of donuts." The test began last year in franchised units located in Philadelphia, Chicago, and in home-base Minneapolis.

There are 722 Mister Donut units, 717 of which are franchised. The company anticipated that 50 to 60 new units will open in 1987.

Berge also reports that increased competition in the breakfast daypart due to the influx of specialty baked-goods concepts (for example, cookies, muffins, and cinnamon buns), Mister Donut has added new items of its own including muffins, cakes, and brownies. These items now account for 15 to 18 percent of sales.

CINNAMON COMPETITION. In the Midwest, the sweet smell of success is definitely cinnamon-scented. The rise in popularity of glazed cinnamon rolls was first visible through the efforts of T.J. Cinnamons, a concept developed by Ted and Joyce Rice in Kansas City, MO. Kenneth Hill, former president of Gilbert/Robinson Inc., now owns 50 percent of the business, and plans for aggressive franchised growth—300 units in four years—are in the works.

Gerald Diddle, president of Cinnamon Sam's, located in Kansas City, believes that the public has fallen in love with the cinnamon roll, which he describes as "a nostalgic product. There is a whole generation that has not tasted the fresh taste of a fresh baked product. We want to bring that product to their attention." The Cinnamon Sam's roll is available in three sizes: a signature gourmet roll which weighs in at half a pound; a party roll that is one-third the size; and a mini-roll, again one-third size smaller. The chain also sells cinnamon-raisin bread and a cinnamon bundt cake.

Diddle has great expectations for his giant gourmet buns: By year-end 1987 he forecasts 100 units; by the end of five more years he estimates there will be 800 to 1,000 units. Currently there are seven units in the Missouri/Kansas area; four are franchised.

Diddle points out that the company prefers multi-unit franchise owners willing to build five to six units. Final agreements have been reached to build 25 units in five states. The 1,000- to 1,400-sq.-ft units generate annual sales volumes of $250,000 to $325,000. Total estimated startup costs of $80,000 to $105,000 include a $20,000 franchisee fee, construction costs of $25,000 to $35,000, $25,000 to $30,000 worth of equipment, and working capital of $10,000 to $20,000. Royalty rate is five percent of sales and there is a two percent advertising contribution.–**D.M.B.**

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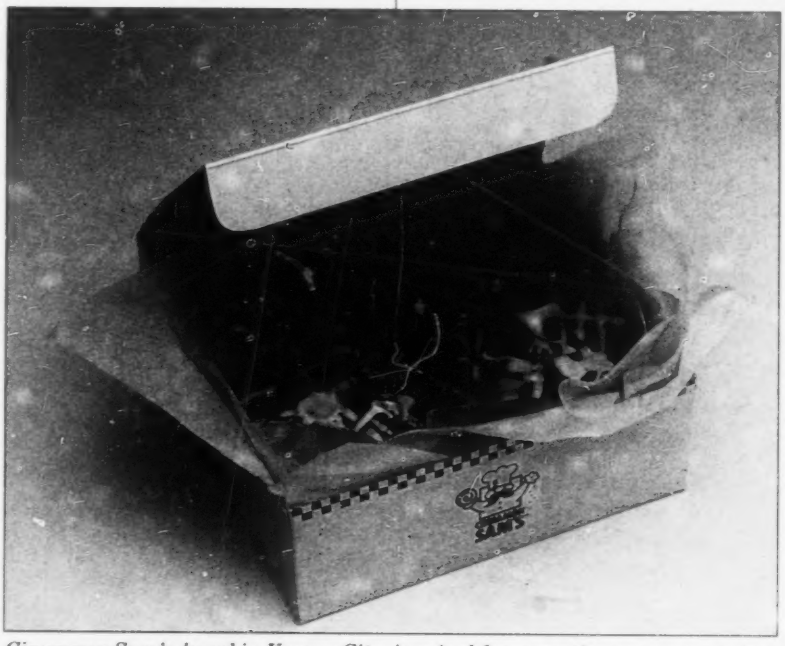

Cinnamon Sam's, based in Kansas City, is poised for expansion: management hopes that by the end of five more years there will be 800 to 1,000 units.

RESTAURANT FRANCHISING IN THE ECONOMY

The annual report is compiled by the Dept. of Commerce. Top thirty data was prepared by *Restaurant Business.*

BY ANDREW KOSTECKA

Franchising continues to make great strides in the United States because of its successful method of doing business and its significant role in the U.S. economy. Sales growth has been steady and employment is on the rise as an ever-widening array of industries tests the franchise waters each year.

BUSINESS FORMAT FRANCHISE. Franchising sales of goods and services such as restaurants and business services in more than 498,000 outlets are expected to reach more than $591 billion in 1987, about six percent higher than a year earlier, and about 77 percent over the level of sales at the start of the 1980s.

Employment in franchising, including part-time workers and working proprietors, was 6.3 million in 1985 and will probably reach more than 7 million by the end of 1987.

U.S. franchisors continue to move into foreign markets at a rapid rate: in 1985 there were 342 U.S. franchisors with over 30,000 outlets overseas.

PRODUCT FRANCHISING. Product and tradename franchisors such as soft drink bottlers, auto and truck dealers and gasoline stations still dominate the franchise field, accounting for an estimated 71 percent of all franchise sales for 1987 compared to 74 percent for 1985.

However, this type of franchising method has been losing ground since 1972 while business format franchisors, including restaurant franchisors, have been responsible for much of the growth of franchising in the United States since 1950.

Sales are expected to rise to $171 billion in 1987, compared to $153 billion in 1986 and $141 billion in 1985.

INCREASING SHARE. In contrast to product and tradename franchises, the number of establishments of business format franchisors is expected to increase to almost 353,000 in 1987, compared to 317,751 in 1986 and 301,689 in 1985. This upward trend should continue for the remainder of the 1980s.

Large franchisors with 1,000-plus units continue to dominate business format franchising: 53 companies accounted for 48 percent of all sales and 49 percent of all establishments in 1985. The total number of outlets reported by these large franchisors stood at 147,711 with sales of $68.1 billion. Thirteen of these large franchisors were engaged in restaurants and nine were in auto products and service.

Sales of products and services by business format franchisors to their franchisees totaled $9.6 billion in 1985 and could rise to about $10.3 billion by 1987. Franchisor sales of food ingredients amounted to $1.6 billion in 1985, of which $777 million went to restaurants and $604 million to food retailers other than convenience stores.

FRANCHISE OUTLOOK. The following important trends in franchising are expected to continue for the next several years:

- The latest wrinkle, mostly in food-related franchising, is utilization of the combination franchise, or the joining of two or more concepts under one roof.
- New and small companies are

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FRANCHISING *from p. 182.*
starting to franchise in increasing numbers. In 1985, the net gain of companies converting to franchising jumped dramatically to almost eight percent, the highest percentage increase for the last five years. A total of 273 additional firms started franchising in 1985, an eight percent gain over 1984, to 2,090 from 1,942.

- Expansion through acquisition is on the upswing with the absorption of many recently formed franchisors by others within the same field. Growing numbers of franchisors are seeking multi-unit franchisees who have the financial muscle to bring additional vitality into the system.
- The diminishing number of younger people and the rapidly expanding "mature" population, along with an increase in the number of two-earner families continue to foster growth of the franchise service sector in such areas as maid services, home repair and remodeling, carpet cleaning, and other home-related services.
- Businesses in need of nuts and bolts services such as accounting, collection services, mail and package shipping services, business consulting, security, and personnel services, are fueling rapid growth in these areas.
- Franchises specializing in automotive repairs and service are expected to fill the gaps caused by the closing of about 106,000 gasoline service stations since 1972.
- Weight control centers, hair salons, temporary help services, printing and copying services, and medical centers are expected to rise in numbers through the remainder of the decade.

INTERNATIONAL MARKETS. U.S. franchisors are currently operating in most major countries or are engaged in serious negotiations for the purpose of entering foreign markets, an indication that foreign nations have welcomed the entry of U.S. franchisors and that local laws and regulations have not been overly restrictive.

Franchising operations in foreign markets, however, involve many of the same problems confronting other business ventures. Language difficulties, differences in customs, and sometimes unpredictable government decision-making are examples of impediments all U.S. franchisors encounter when attempting to take advantage of opportunities in other countries.

Compared to other service sectors, the problems of franchise companies in accomplishing international transactions are relatively less formidable. Franchisors must comply with the same local requirements as domestic businesses and the franchise agreements must comply with local contract law, anti-trust law, and trademark licensing laws.

We know of no real trade barriers that discriminate specifically against U.S. franchisors. There are no specific regulations restricting franchise operations and there are no prohibitive laws governing franchising that differ from those which affect other types of business operations. Of course, it is true that some restrictions affect franchising more than other businesses but that is because of the nature of franchising rather than a foreign government's opposition to franchising as a system of distribution.

FOOD-AWAY-FROM-HOME. The populations of many foreign countries are young and like to try new products and concepts. In addition, more and more women everywhere are going to work.

RESTAURANT FRANCHISING, 1985-1987
SALES ($000)

MAJOR ACTIVITY	Firms	1985 Total	1985 Company-Owned	1985 Franchisee-Owned
Chicken	30	$4,118,947	$1,691,050	$2,427,897
Hamburgers, Franks, Roast Beef, etc.	105	23,407,433	5,862,555	17,544,878
Pizza	102	6,193,899	2,410,905	3,782,994
Mexican (Taco, etc.)	36	2,400,009	1,312,760	1,087,249
Seafood	14	1,212,951	713,263	499,688
Pancakes, Waffles	13	1,101,858	331,594	770,264
Steak, Full Menu	117	8,562,410	4,811,355	3,751,055
Sandwich and Other	53	680,854	123,965	556,889
TOTAL	470	$47,678,361	$17,257,447	$30,420,914

* *Estimated by respondents.*

RESTAURANT FRANCHISING, 1985-1987
NUMBER OF UNITS

MAJOR ACTIVITY	Firms	1985 Total	1985 Company-Owned	1985 Franchisee-Owned
Chicken	30	8,720	3,241	5,479
Hamburgers, Franks, Roast Beef, etc.	105	30,563	6,666	23,897
Pizza	102	14,174	4,651	9,523
Mexican	36	4,125	1,865	2,260
Seafood	14	2,423	1,362	1,061
Pancakes, Waffles	13	1,761	542	1,219
Steak, Full Menu	117	9,466	4,766	4,700
Sandwich and Other	53	2,660	481	2,179
TOTAL	470	73,892	23,574	50,318

* *Estimated by respondents*

	1986*			1987*	
Total	Company-Owned	Franchisee-Owned	Total	Company-Owned	Franchisee-Owned
$4,488,168	$1,886,131	$2,602,037	$4,994,913	$2,082,946	$2,911,967
25,609,781	6,607,980	19,001,801	28,591,880	7,357,159	21,234,721
6,939,483	2,638,774	4,300,709	8,067,688	2,979,639	5,088,049
2,571,079	1,417,348	1,153,731	2,881,165	1,620,012	1,261,153
1,355,337	791,308	564,029	1,526,190	874,540	651,650
1,169,664	349,139	820,525	1,285,229	382,739	902,490
8,541,838	4,536,237	4,005,601	9,500,179	4,935,440	4,564,739
812,792	105,531	707,261	1,103,888	143,822	960,066
$51,488,142	$18,332,448	$33,155,694	$57,951,132	$20,376,297	$37,574,835

	1986*			1987*	
Total	Company-Owned	Franchisee-Owned	Total	Company-Owned	Franchisee-Owned
9,219	3,386	5,833	9,883	3,545	6,338
32,039	7,250	24,789	34,537	7,848	26,689
15,874	5,116	10,758	18,113	5,636	12,477
4,431	1,976	2,455	4,951	2,236	2,715
2,569	1,457	1,112	2,826	1,603	1,223
1,817	559	1,258	1,981	606	1,375
9,204	4,345	4,859	9,855	4,481	5,374
3,135	283	2,852	4,253	338	3,915
78,288	24,372	53,916	86,399	26,293	60,106

This not only increases the family's disposable income, which is good for franchisors in the service and consumer products business, but it also increases the demand for food purchased away from home.

OVERSEAS PRESENCE. Developed countries overseas are increasingly exhibiting the same characteristics which fostered the surge of service industries in the U.S., namely rising disposable personal income, increasing demand for consumer goods and services, expanding urbanization, and the increased mobility of the U.S. consumer.

The Department of Commerce survey reveals that 342 U.S. franchising companies operated 30,188 outlets in foreign countries in 1985; this compares with 328 franchisors with 27,021 outlets in 1984.

Another 192 companies have indicated that they are considering extending their U.S. operations to foreign countries by the end of 1988. This interest has been expressed mostly by small- and medium-sized franchisors, which market a variety of services and products. Of the companies seeking foreign markets, 44 are franchisors of business aids and services, and 39 are restaurant franchisors.

Methods of international franchising for the years 1971-1985 have taken several forms, with many companies utilizing more than one avenue to conduct foreign operations. Of the 342 franchisors doing business in foreign countries in 1985, 320 of them sold their outlets to franchisees, either directly or through a master licensee who received the right to develop the franchisor's system in a specific country or region.

Some 37 franchisors operated joint ventures, and 38 had several company-operated units. Thirty-two of them derived 10 percent or more of their income from foreign operations; 24 firms received between five and nine percent; 99 firms received between one and four percent; and 187 companies received less than one percent.

CANADA RANKS FIRST. Canada continues to be the dominant market for U.S. franchisors despite its declining share of U.S. foreign outlets. In 1985, 30 percent of all U.S. foreign franchised outlets were located in Canada, down from a high of 46 percent in 1971. A total of 239 U.S. franchising firms with 9,054 units operated in Canada in 1985, predominantly in restaurants (1,542), non-food retailing (1,599), and business aids and services (1,279).

JAPAN NUMBER TWO. Japan continues to be the second largest market for U.S. franchisors with a total of 7,124 units, of which 67 percent represents various food categories such as restaurants, donut shops, ice cream stores, and convenience food stores. The United Kingdom ranks third with 2,291 outlets, while 4,398 outlets are located in all of Continental Europe.

RESTAURANTS ABROAD. U.S. franchisors continued to increase their number of franchised operations overseas, with the number of franchised restaurant units rising to 6,122 in 1985 from 5,990 a year earlier. Canada accounted for the largest number of restaurants followed closely by Japan.

Restaurants with major activity in hamburgers, frankfurters, and roast beef accounted for the largest number of outlets, followed by chicken and pizza. Another 39 franchisors of restaurants plan to extend their operations to

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FRANCHISING *from p. 185.*
foreign countries by the end of 1988.

RESTAURANT SALES. Sales of franchised restaurants of all types reached over $51 billion in 1986, up eight percent over a year earlier; sales are expected to jump about 13 percent, to $58 billion in 1987. The total number of franchised restaurants was 73,892 in 1985, rose to 78,288 in 1986, and should rise to over 86,000 in 1987. The highest concentrations of franchised restaurants continue to be in California, Texas, Ohio, and Florida.

RESTAURANT TRENDS. Eating out is again on the increase, and a shift in consumer preference that could affect eating places is the trend toward eating "healthier" foods. Consumer awareness of health and nutrition is reflected in menu selections and ultimately in the cost of a meal. Sales of "lighter foods" such as salads, and the rising popularity of pasta and vegetables have increased, sometimes at the expense of meat entrees.

DELIVERY ALTERNATIVES. A wide variety of retailers are using home delivery to increase sales and satisfy spontaneous consumer demand. Fast-food sellers are also experimenting with mobile food vans that visit construction and similar sites on a regular basis and provide food at lunchtime to areas of high population density but with limited foodservice availability. Even gourmet restaurants are making specialty dishes available at home to customers with limited time to visit a restaurant or to prepare such specialties themselves.

Canada is the number one foreign market for U.S. franchise firms. Japan is still the number two choice.

EMPLOYMENT. Employment in the franchised restaurant sector was 2,441,947 in 1985, up from 2,182,143 a year earher, a rise of 12 percent. Employment in the franchised restaurant industry accounts for 39 percent of employment in the franchised system as a whole and should continue to rise in the next few years. Furthermore, franchised restaurant employees accounted for an estimated 43 percent of all persons employed in eating places in the United States.

During 1986, 14 franchisors with a total of 570 restaurants, 346 of which were franchisee-owned, went out of business, while 23 franchisors with a total of 952 restaurants, 199 of which were franchisee-owned, decided to abandon franchising as a method of marketing.

There were 13 big franchisors with over 1,000 units each in 1984. Combined, they represented 55 percent of all restaurants in the franchise system, or 40,296 restaurants, of which 27,413 were franchisee-owned and 12,883 were company-owned. They also represented 60 percent of total franchised restaurant sales, or $29 billion, of which $20 billion were by franchisee-owned units.

TEMPORARY BUYBACKS. In 1985, a larger number of restaurants were converted to franchisee-ownership than were those repurchased for company operation. Most of the buybacks were temporary with the intention of reselling them to prospective franchisees at a later date.

To compete with other restaurant chains, many franchise operators have become more customer-oriented and are offering such amenities as waiter and waitress service and/or drive-in and drive-thru service. Most restaurants offer one type or the other; and 20 franchisors offer both services.

RETAIL DOMINANT. Retailing dominates franchising, accounting for some 87 percent of all franchising receipts in 1986. The retail sales of all firms associated with franchising reached about $487 billion in 1986, or 33 percent of all U.S. retail sales which are estimated at $1.5 trillion.

Franchise retail sales continue to remain strong as a result of moderate inflation and steady economic growth.

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INTERNATIONAL RESTAURANT FRANCHISING IN 1985 — LOCATION AND NUMBER OF UNITS*

	U.S. Firms	Total	Canada	United Kingdom	Other Europe	Japan	Other Asia	Australia	New Zealand	Africa	Caribbean	Mexico	Central America	South America
Chicken	8	1,878	11	371	62	540	187	247	45	183	144	65	10	13
Hamburgers, Franks and Roast Beef	13	3,251	1,146	236	462	754	212	223	21	2	98	4	41	52
Pizza	14	578	127	6	15	74	78	147	26	10	43	31	20	1
Mexican	6	109	83	0	0	0	1	2	0	0	22	0	0	1
Seafood	3	13	6	0	0	0	7	0	0	0	0	0	0	0
Pancakes, Waffles	2	15	3	0	0	12	0	0	0	0	0	0	0	0
Steak, Full Menu	13	271	161	2	0	56	13	16	0	0	4	19	0	0
Sandwich, Other	2	7	5	0	0	0	1	0	0	0	1	0	0	0
Total	61	6,122	1,542	615	539	1,436	499	635	92	195	312	119	71	67

** Includes company-owned, franchisee-owned and joint ventures.*

A wide variety of retailers are utilizing home delivery to increase sales and satisfy consumer demand.

FRANCHISING *from p. 186.*
Increased application of existing technology to retailing is continuing, but with no new breakthroughs. Categories that showed stronger than average growth include building materials and hardware, apparel and accessories, furniture and home furnishings, and related items. Continued low interest rates and low energy and gasoline prices should contribute to increased retail sales.

CONVENIENCE STORES. Convenience food stores are an important factor in food retailing. Because of changing demographics and lifestyles, they have expanded rapidly, evolving into a large and sophisticated segment of food retailing. Many resemble scaled-down, modern supermarkets and offer on-premises foodservice facilities and self-service gasoline.

Currently, foodservice, or restaurant style foods and beverages prepared in the store for consumption elsewhere, are becoming more important. Almost all convenience stores offer some type of foodservice, at least hot beverages and fresh pastries. Many stores offer a wide variety of foodservice items: cold sandwiches, hot sandwiches, pizza, and fried chicken. Many stores have installed bulk soft drink (post-mix—dispensing apparatus because of higher profit margins compared with bottled beverages.

Despite intensified competition from supermarkets offering extended hours and Sunday shopping, convenience store sales moved up eight percent to $111.7 billion in 1986. The number of franchised stores in 1986 was reported to be 15,698, up 3.7 percent. Further gains are expected in 1987, nine percent in sales and 5.6 percent in stores.

FOOD RETAILING. The retailing of food by specialty food shops, ice cream stores, coffee services, donut shops, bakeries, cookie shops, candy stores, nut stores, and others, amounted to $10.8 billion in 1986, seven percent over the previous year; sales in 1987 are expected to reach $11.6 billion. In 1987, the number of units is expected to rise to 23,537, a jump of 13 percent over the prior year. Two groups in this category are donut shops and ice cream and yogurt stores.

GROWTH IN LEISURE. Americans are increasing their weekend and vacation travel, which, although affected periodically by changes in the economy, has grown steadily in recent years. Factors that have fostered this growth include expanded leisure time, rising disposable personal income, lower gasoline prices, and the mounting number of single-member households. With sales estimated at $18.4 billion in 1986, franchisors expect an eight percent increase in 1987, to an estimated $19.9 billion. The number of establishments is also expected to increase from 16,324 in 1986 to 17,522 in 1987.

HOTEL/MOTEL SECTOR. Occupancy rates in the lodging industry have been about 64 percent in 1986 and little change in average occupancy rates of hotels and motels is expected in 1987.

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U.S. FRANCHISED RESTAURANTS SUMMARY

Item	1985	1986*	1987*	Percent Changes 1985-86	Percent Changes 1986-87
Company-owned	23,574	24,372	26,293	3.0	8.0
Franchisee-owned	50,318	53,916	60,106	7.0	11.0
Total number of units	73,892	78,288	86,399	6.0	10.0
Company-owned	$17,257,447	$18,332,448	$20,376,297	6.0	11.0
Franchisee-owned	$30,420,914	$33,155,694	$37,574,835	9.0	13.0
Total sales of products and services ($000)	$47,678,361	$51,488,142	$57,951,132	8.0	13.0
[illegible]	$178,959	$154,297	$168,364	[illegible]	[illegible]
[illegible]	$200,781	$237,676	$261,354	[illegible]	[illegible]
[illegible]	$776,866	$940,539	$1,091,975	[illegible]	[illegible]
[illegible]	$62,491	$64,631	$74,153	[illegible]	[illegible]
Total sales of products and services by franchisors to franchisees: ($000)	$1,219,097	$1,397,643	$1,595,648	15.0	14.0

* *Estimated by respondents.*

FRANCHISING *from p. 188.*
The lodging industry has experienced tremendous growth in the last several years. Many of the larger hotel companies are launching new chains and new product lines in an effort to attract specific types of travelers. In addition, price competition has increased, as have marketing efforts to stimulate brand loyalty.

The trend toward diversification in property types offered by hotel chains is expected to continue, although at a somewhat slower pace. More Americans are expected to vacation in the U. S. rather than abroad while the number of international visitors to the U. S. should increase.

Many larger hotel companies are launching new chains in order to attract business travelers.

Hotel, motel, and campground franchisors in 1986 represented 8,033 establishments, with receipts estimated at $15.7 billion. Receipts are expected to rise seven percent in 1987 over 1986, reaching $16.7 billion. Total receipts for the lodging industry are estimated at $43.9 billion in 1986 of which 36 percent is accounted for by hotels and motels in the franchise system.

MORE VACATIONERS. While the basic 40-hour work week has remained unchanged since the early 1950s, the advent of the four-day work week and the introduction of flextime has helped considerably in creating more leisure time. The average worker is also enjoying longer vacations and more holidays. The number of Americans expected to take a vacation trip will grow in 1987 as these trips get longer in both distance and duration.

Franchising firms engaged in the recreation, entertainment, and travel business, report estimated sales of

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U.S. FRANCHISED RESTAURANTS* NUMBER OF ESTABLISHMENTS BY STATE: 1985

State	Total	Company-Owned	Franchisee-Owned	State	Total	Company-Owned	Franchisee-Owned
Alabama	1,156	289	867	Nebraska	577	171	406
Alaska	104	5	99	Nevada	328	133	195
Arizona	1,241	425	816	New Hampshire	138	26	112
Arkansas	1,228	575	653	New Jersey	1,203	313	890
California	7,552	2,162	5,390	New Mexico	535	88	447
Colorado	1,248	380	868	New York	2,148	454	1,694
Connecticut	611	150	461	North Carolina	1,744	418	1,326
Delaware	152	58	94	North Dakota	200	13	187
District of Columbia	147	78	69	Ohio	3,850	1,320	2,530
Florida	3,853	1,494	2,359	Oklahoma	1,310	501	809
Georgia	2,347	999	1,348	Oregon	938	231	707
Hawaii	243	105	138	Pennsylvania	2,293	794	1,499
Idaho	231	17	214	Rhode Island	198	102	96
Illinois	3,159	1,075	2,084	South Carolina	1,144	326	818
Indiana	2,188	640	1,548	South Dakota	218	28	190
Iowa	1,096	196	900	Tennessee	1,606	579	1,027
Kansas	891	270	621	Texas	6,353	2,484	3,869
Kentucky	1,428	362	1,066	Utah	424	79	345
Louisiana	1,220	421	799	Vermont	59	4	55
Maine	165	34	131	Virginia	1,684	543	1,141
Maryland	979	381	598	Washington	1,367	370	997
Massachusetts	793	251	542	West Virginia	497	165	332
Michigan	2,816	939	1,877	Wisconsin	1,388	389	999
Minnesota	1,362	386	976	Wyoming	181	20	161
Mississippi	717	109	608				
Missouri	1,786	622	1,164	TOTAL	69,336	21,978	47,358
Montana	240	4	236				

*Represents 89 percent of total establishments.
The remaining 11 percent were unable to provide a geographic breakdown for this report.

FRANCHISING *from p. 190*

$2.7 billion in 1986. In 1987, they are expected to climb to $3.2 billion.

SMALL FRANCHISEES. Small investors, especially minority entrepreneurs, often face two major obstacles in their efforts to operate a successful company: inexperience in business and management, and inadequate financing. The franchising system provides a means for mitigating such barriers.

Under the franchise system, a franchisor usually provides managerial training and assistance on a continuing basis to franchisees and, in many cases, finances the purchase of necessary equipment.

The franchisor may also arrange for property leases, help obtain loans from the Small Business Administration, local banks, or other private investors, and, in some instances, may participate in the venture. In addition, franchisors generally provide such services as location analysis, advertising and merchandising, counseling and assistance, standardized procedures and operations, and, sometimes, centralized purchasing systems.

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RESTAURANT FRANCHISING GROWTH IN SALES 1981-1986 (SALES:$000)

Major Activity	Total Sales			Company-owned			Franchisee-owned		
	$ 1981	$ 1986*	% Change	$ 1981	$ 1986*	% Change	$ 1981	$ 1986*	% Change
Chicken	2,833,007	4,488,168	58	951,719	1,886,131	98	1,881,288	2,602,037	38
Hamburgers, Franks	14,327,705	25,609,781	79	4,045,912	6,607,980	63	10,281,793	19,001,801	85
Roast Beef etc	3,169,601	6,939,483	119	1,168,509	2,638,774	126	2,001,092	4,300,709	115
Pizza	1,069,712	2,571,079	140	490,134	1,417,348	189	579,578	1,153,731	99
Mexican	888,491	1,355,337	53	479,506	791,308	65	408,985	564,029	38
Seafood	847,650	1,169,664	38	275,201	349,139	27	572,449	820,525	43
Pancakes, Waffles	6,566,702	8,541,838	30	3,311,457	4,536,237	37	3,255,245	4,005,601	23
Steak, Full Menu	339,480	812,792	139	60,768	105,531	74	278,712	707,261	154
Sandwich and Other									
Total	**30,042,348**	**51,488,142**	**71**	**10,783,206**	**18,332,448**	**70**	**19,259,142**	**33,155,694**	**72**

* *Estimated by respondents.*

RESTAURANT FRANCHISING GROWTH IN UNITS, 1981 - 1986

Major Activity	Total Units			Company-Owned			Franchisee-Owned		
	1981	1986*	% Change	1981	1986*	% Change	1981	1986*	% Change
Chicken	7,388	9,219	25	2,249	3,386	51	5,139	5,833	14
Hamburgers, Franks	26,945	32,039	19	5,926	7,250	22	21,019	24,789	18
Roast Beef	9,695	15,874	64	3,540	5,116	45	6,155	10,758	75
Pizza	3,002	4,431	48	1,320	1,976	50	1,682	2,455	46
Mexican	2,226	2,569	15	1,151	1,457	27	1,075	1,112	3
Seafood	1,500	1,817	21	527	559	6	973	1,258	29
Pancakes, Waffles	9,406	9,204	(2)	4,297	4,345	1	5,109	4,859	(5)
Steak, Full Menu	1,684	3,135	86	345	283	(18)	1,339	2,852	113
Sandwich and Other									
Total	**61,846**	**78,288**	**27**	**19,355**	**24,372**	**26**	**42,491**	**53,916**	**27**

* *Estimated by respondents.*

Franchising has seen an increase in conversions of company-owned outlets into franchisee-owned operations.

FRANCHISING *from p. 195.*

Changes in ownership in 1985 involved 12,016 units belonging to 932 franchisors. These changes included conversions to franchisee-owned or to company-owned, and discontinuation of either company-owned or franchisee-owned outlets. Units discontinued may include businesses that failed, but the number of failures is unknown. However, the number of units discontinued, for whatever reason, is relatively low, 3.7 percent in 1985 for franchisee-owned units.

Specifically, 640 outlets were repurchased from company-ownership, while 1,407 were converted to franchisee-ownership. As in previous years, the largest portion of these changes occurred in the restaurant sector of franchising. The number of establishments discontinued in 1985 stood at 9,969 of which 1,250 were company-owned and 8,719 franchisee-owned.

Since 1975, the trend in franchising has reflected an increase in conversions of company-owned units to franchisee-ownership, and as in previous years the survey shows that most units repurchased for company-ownership were temporary buybacks for a multitude of reasons, the least of which was the company's desire to withdraw from the franchise system or to operate these units permanently itself. The trends for conversions covering the 1971-1985 period are as follows:

FAILURES. A total of 78 franchisors operating 5,667 outlets and representing $574 million, failed during 1986, a record number. The franchisee-owned portion of 1985 sales of the failed firms was $501 million. Compared to total business format franchising sales of $141 billion in 1985, the lost volume (0.4 percent) is insignificant.

In addition, 105 franchisors, also a record, decided in 1986 to discontinue franchising as a method of doing business; these companies operated 5,082 units in 1985 with $2.3 billion in sales, of which 3,670 outlets with $1.4 billion in sales were franchisee-owned.

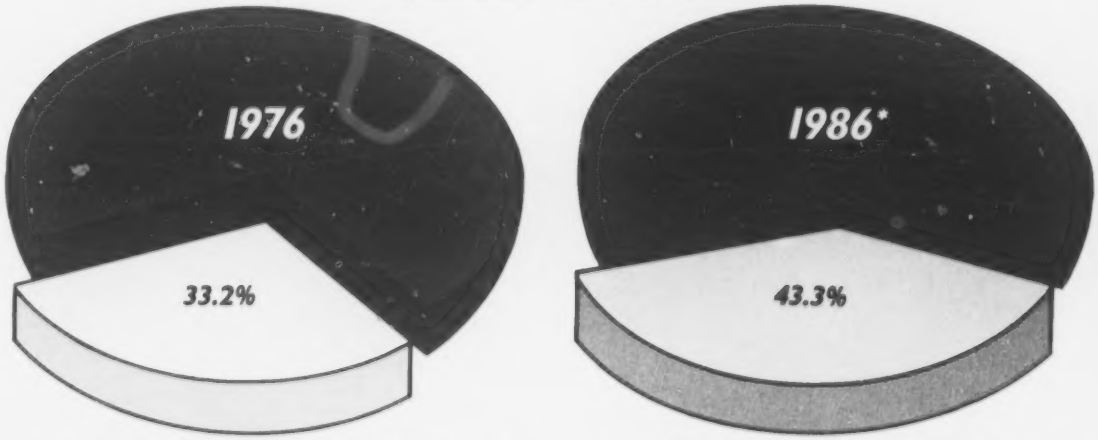
The survey revealed that in 1985, 71 percent of the currently operating business format franchising companies, covering 19 broad categories, issued franchise agreements, many of which, especially in retailing, were associated with a lease.

RENEWALS. In 1985, 12,543 franchise arrangements came up for renewal, of which 11,369, or 91 percent, were renewed and 1,174 were not. Of the latter, 350 were not renewed because of objections by the franchisor, 402 were not because the franchisee did not wish to renew, and 422 were not renewed by mutual agreement. There were 7,450 terminations of franchise agreements in 1985, of which 2,651 were terminated by franchisors: 1,376 for nonpayment of royalties or other financial obligations, 258 for the franchisee's failure to comply with quality control standards, and 1,017 for other reasons not identified. Franchisees were responsible for terminating 4,348 franchise agreements, while an additional 451 were terminated by mutual consent.

continued on page 200

FRANCHISED RESTAURANT CHAINS

Increased Share of Eating Place Sales



■ 1976 Franchised Restaurant Sales: $14.6 billion
1976 Separate Eating Place Sales: $44.1 billion

■ 1986 Franchised Restaurant Sales: $ 51.5 billion
1986 Separate Eating Place Sales: $119.0 billion

* Projected Source: Restaurant Business Restaurant Growth Index and U. S. Department of Commerce.

FRANCHISING REPORT

FRANCHISING *from p. 196.*

TOP 30 FRANCHISE RESTAURANT SYSTEMS
1985-86 Systemwide Sales by Company and Franchise ($000,000's)

Franchise System	1986			1985			'85-'86
	Total	Company-Owned	Franchisee-Owned	Total	Company-Owned	Franchisee-Owned	% Total Change
McDonald's	$12,432	3,106	9,326	$11,001	2,770	8,231	13
Burger King*	$4,500	765**	3,735**	$3,990	599**	3,392**	13
Kentucky Fried Chicken	$3,500	1015**	2,485**	$3,100	1,000	2,100**	13
Wendy's	$2,747	1,037	1,710**	$2,695	1 032	1,663**	2
Hardee's	$2,700	1,181	1,519**	$2,300	1,066	1,234**	17
Pizza Hut	$2,600	1,326**	1,274**	$2,100	1,050**	1,050**	24
Dairy Queen*	$1,723	18**	1,705**	$1,572	2	1,570	10
Domino's Pizza	$1,500**	424**	1,076**	$1,084**	287**	797**	38
Taco Bell	$1,350	716**	634**	$1,140**	582**	558**	18
Big Boy Restaurant	$955**	196**	759**	$892**	182**	710**	7
Arby's Roast Beef Restaurant	$900	99**	801**	$814	99**	715**	11
Long John Silver's Seafood Shoppe*	$697	425**	272**	$637	390	247	9
Dunkin' Donuts*	$648	19**	629**	$577	33	544	12
Shoney's*	$640	300	340**	$576	268	308**	11
Jack in the Box*	$587	464**	123**	$612**	539**	73**	(4)
Ponderosa Steakhouse*	$582**	408	174**	$629**	448	181**	(7)
Church's Fried Chicken	$578	465	113	$640	540	100	(10)
Baskin-Robbins Inc.	$575**	168**	407	$545**	27**	518**	6
Roy Rogers	$527**	350**	177**	$507**	348**	159**	4
Sizzler*	$505	170	335	$443	147	296	14
Little Caesar's Pizza Parlor	$500	125	375	$300	78**	222**	67
Bonanza Family Restaurant*	$458	4**	454**	$421	3	418	9
Western Sizzlin'*	$445	2	443	$427	4	423	4
Popeye's Famous Fried Chicken	$409**	70**	339**	$355	60**	295**	15
Chi-Chi's*	$390	257**	133**	$400	242**	158**	(3)
Rax Restaurant*	$375	113	262	$280	105	175	34
Captain D's*	$317	182	135**	$270	154	116**	17
Perkins Restaurant	$314**	104**	211**	$274	94	180	15
Sonic Drive-In*	$291	18**	273**	$292	22	270	N/C
Pizza Inn	$279**	105**	174**	$265	105	160	5

1985-86 Systemwide Units by Company and Franchise

Franchise System	1986			1985			'85-'86
	Total	Company-Owned	Franchisee-Owned	Total	Company-Owned	Franchisee-Owned	% Change
McDonald's	9,410	2,301	7,109	8,901	2,225	6,676	6
Burger King*	4,975	829	4,146	4,225	635	3,590	18
Kentucky Fried Chicken	6,575	1,922	4,653	6,396	1,826	4,570	3
Wendy's	3,727	1,335	2,392	3,442	1,257	2,185	8
Hardee's	2,733	899	1,834	2,554	880	1,674	7
Pizza Hut	5,070	2,572	2,498	4,912	2,224	2,688	3
Dairy Queen*	4,931	6	4,925	4,822	6	4,816	2
Domino's Pizza	3,503	992	2,511	2,755	826	1,929	27
Taco Bell	2,171	1,160	1,011	2,173	1,160	1,013	(1)
Big Boy Restaurant	924	189	735	883	173	710	5
Arby's Roast Beef Restaurant	1,685	191	1,494	1,545	184	1,361	9
Long John Silver's Seafood Shoppe*	1,388	844	544	1,359	825	534	2
Dunkin' Donuts*	1,439	44	1,395	1,447	78	1,369	(1)
Shoney's*	542	236	306	488	216	272	11
Jack in the Box*	849	670	179	822	709	113	3
Ponderosa Steakhouse*	615	432	183	621	433	188	(1)
Church's Fried Chicken	1,532	1,135	397	1,549	1,271	278	(1)
Baskin-Robbins Inc.	3,311	184	3,127	3,185	158	3,027	4
Roy Rogers	553	345	208	540	355	185	2
Sizzler*	488	153	335	465	138	327	5
Little Caesar's Pizza Parlor	1303	319	984	890	220	670	46
Bonanza Family Restaurant*	571	3	568	542	3	539	5
Western Sizzlin'*	565	3	562	495	5	490	14
Popeye's Famous Fried Chicken	658	112	546	555	90	465	19
Chi-Chi's*	200	132	68	200	121	79	N/C
Rax Restaurant*	520	160	360	443	164	279	17
Captain D's*	537	305	232	490	275	215	10
Perkins Restaurant	328	110	218	319	98	221	3
Sonic Drive-In*	958	57	901	970	85	885	(1)
Pizza Inn	734	255	479	727	255	432	1

** Fiscal year-end results (remainder are calendar year-end results) includes international operations.* *** Estimated by Restaurant Business or by the respective company.*